

Dallas County Hospital
Perry, Iowa

**Basic Financial Statements and
Supplementary Information
June 30, 2010 and 2009**

Together with Independent Auditor's Report

Dallas County Hospital

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Dallas County Hospital

Officials
June 30, 2010

<u>Board of Trustees</u>	<u>Title</u>	<u>Term Expires</u>
Jeff Schulz	Chairman	December 31, 2012
Rich Jones	Vice Chairman	December 31, 2014
Marsha McClintock	Secretary	December 31, 2012
Marc Meyer	Treasurer	December 31, 2010
Julie Connolly	Member	December 31, 2010
Joelle Miner	Member	December 31, 2012
Mary Laborde	Member	December 31, 2014
Laurie Conner	Chief Executive Officer	Indefinite
Kevin Kincaid	Chief Operating Officer	Indefinite
Sandra Christensen	Chief Financial Officer	Indefinite
Donna Vandelaar	Chief Clinical Officer	Indefinite

Independent Auditor's Report

To the Board of Trustees of
Dallas County Hospital
Perry, Iowa:

We have audited the accompanying basic financial statements of Dallas County Hospital (Hospital), as of and for the years ended June 30, 2010 and 2009 as listed in the table of contents. These financial statements are the responsibility of the Hospital's management. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of Spring Valley, Inc. (Spring Valley), a component unit of Dallas County Hospital as of or for the years ended June 30, 2010 and 2009, for which the Hospital is the guarantor of the debt of Spring Valley. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for Spring Valley is based solely on the report of other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Dallas County Hospital as of June 30, 2010, and the respective changes in financial position and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 19, 2010, on our consideration of the Hospital's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of the report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis and Budgetary Comparison Information on page 3 through 7 and page 25 are not required parts of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The other supplementary information included in Exhibits 1 through 7 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Seim, Johnson, Sestak & Quist, LLP

Omaha, Nebraska,
October 19, 2010.

Dallas County Hospital

Management's Discussion and Analysis June 30, 2010 and 2009

As management of Dallas County Hospital (Hospital), we offer readers of the Hospital's financial statements this narrative overview and analysis of the financial performance of our hospital during the fiscal years ended June 30, 2010, 2009 and 2008. Please read it in conjunction with the financial statements, which follow this section.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report includes management's discussion and analysis report, the independent auditor's report, the basic financial statements and supplementary information of the Hospital. The financial statements also include notes that explain in more detail some of the information in the financial statements.

REQUIRED FINANCIAL STATEMENTS

The financial statements of the Hospital report information of the Hospital using accounting methods similar to those used by private sector companies. These statements offer short- and long-term financial information about its activities. The balance sheet includes all of the Hospital's assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and the obligations to the Hospital's creditors (liabilities). It also provides the basis for evaluating the capital structure of the Hospital and assessing the liquidity and financial flexibility of the Hospital.

All of the current year's revenue and expenses are accounted for in the statement of revenue, expenses, and changes in net assets. This statement measures the success of the Hospital's operations over the past year and can be used to determine whether the Hospital has successfully recovered all its costs through its patient service revenue and other revenue sources, profitability and credit worthiness.

The final required financial statement is the statement of cash flows. The statement reports cash receipts, cash payments, and net changes in cash resulting from operations, noncapital financing, capital and related financing and investing activities and provides answers to such questions as where did cash come from, what was cash used for, and what was the change in the cash balance during the reporting period.

FINANCIAL HIGHLIGHTS

- Total assets increased by \$1,181,086 to \$31,142,169 in 2010, and by \$1,553,748 to \$29,961,083 in 2009.
- Total assets limited as to use decreased by \$485,576 in 2010, and by \$1,278,150 in 2009.
- Capital assets, net, increased by \$355,916 in 2010, and by \$984,082 in 2009.
- Total debt decreased by \$2,520,000 in 2010, leaving us with a \$-0- debt balance, and by \$555,131 in 2009.
- Total net assets increased by \$4,362,077 in 2010, and by \$5,160,319 in 2009.
- Net patient service revenue decreased by \$678,718 in 2010, and increased by \$2,468,536 in 2009.
- Expenses increased by \$101,062 or 1% in 2010, and by \$1,626,195 or 10% in 2009. Expenses only increased 1% due to the implementation of cost saving policies and procedures in 2010.
- Total margin for fiscal year 2010 was 18.4% and 21.0% for fiscal year 2009.

Dallas County Hospital

Management's Discussion and Analysis June 30, 2010 and 2009

FINANCIAL ANALYSIS OF THE HOSPITAL

The balance sheet and the statement of revenue, expenses, and changes in net assets report the net assets of the Hospital and the changes in them. The Hospital's net assets – the difference between assets and liabilities – is a way to measure financial health or financial position. Over time, sustained increases or decreases in net assets are one indicator of whether its financial health is improving or deteriorating. However, other non-financial factors such as changes in economic conditions, population growth and new or changed governmental legislation should also be considered.

NET ASSETS

A summary of the Hospital's balance sheets at June 30, 2010, 2009 and 2008, are presented in Table 1 below.

Table 1 - Condensed Balance Sheets

	June 30, 2010	June 30, 2009	June 30, 2008
Assets:			
Current and other assets	\$ 19,028,270	18,203,100	17,633,434
Capital assets, net	12,113,899	11,757,983	10,773,901
Total assets	<u>31,142,169</u>	<u>29,961,083</u>	<u>28,407,335</u>
Liabilities:			
Long-term debt outstanding	--	2,520,000	3,075,131
Other liabilities	4,786,814	5,447,805	8,499,245
Total liabilities	<u>4,786,814</u>	<u>5,447,805</u>	<u>11,574,376</u>
Net Assets:			
Invested in capital assets, net of related debt	12,113,899	9,237,983	7,698,770
Restricted for debt service	--	302,976	867,796
Expendable for property and equipment	30,440	--	22,973
Unrestricted	14,211,016	12,452,319	8,243,420
Total net assets	\$ <u>26,355,355</u>	<u>21,993,278</u>	<u>16,832,959</u>

As can be seen by Table 1, net assets increased by \$4,362,077 in 2010, and by \$5,160,319 in 2009.

Dallas County Hospital

Management's Discussion and Analysis June 30, 2010 and 2009

REVENUE, EXPENSES, AND CHANGES IN NET ASSETS

The following table presents a summary of the Hospital's historical revenue and expenses for each of the fiscal years ended June 30, 2010, 2009 and 2008:

Table 2 - Condensed Statements of Revenue, Expenses, and Changes in Net Assets

	<u>2010</u>	<u>2009</u>	<u>2008</u>
Operating Revenue:			
Net patient service revenue	\$ 20,466,529	21,145,247	18,676,711
County tax revenue	1,892,530	1,932,853	1,629,063
Other operating revenue	<u>169,630</u>	<u>201,272</u>	<u>163,188</u>
Total operating revenue	<u>22,528,689</u>	<u>23,279,372</u>	<u>20,468,962</u>
Operating Expenses:			
Salaries	5,022,555	4,947,724	4,269,334
Employee benefits	1,210,740	1,119,087	860,479
Professional fees	4,187,846	3,892,251	3,671,524
Supplies and other	6,647,909	7,181,829	6,590,816
Depreciation and amortization	<u>1,250,604</u>	<u>1,077,701</u>	<u>1,200,244</u>
Total operating expenses	<u>18,319,654</u>	<u>18,218,592</u>	<u>16,592,397</u>
Operating Income	<u>4,209,035</u>	<u>5,060,780</u>	<u>3,876,565</u>
Nonoperating Revenue (Expenses), Net:			
Rental property, net	21,345	23,183	(102,172)
Investment income	207,665	322,917	334,575
Gain (loss) on disposal of capital assets	(20,086)	12,000	(185,287)
Other nonoperating revenue and expenses, net	<u>(9,260)</u>	<u>(57,225)</u>	<u>(41,027)</u>
Nonoperating revenue, net	<u>199,664</u>	<u>300,875</u>	<u>6,089</u>
Excess of Revenue Over Expenses Before Capital Grants and Contributions and Transfers	<u>4,408,699</u>	<u>5,361,655</u>	<u>3,882,654</u>
Capital Grants and Contributions	<u>128,839</u>	<u>13,412</u>	<u>90,950</u>
Transfers to Foundation and Spring Valley	<u>(175,461)</u>	<u>(214,748)</u>	<u>(38,913)</u>
Increase in Net Assets	<u>4,362,077</u>	<u>5,160,319</u>	<u>3,934,691</u>
Net Assets, beginning of year	<u>21,993,278</u>	<u>16,832,959</u>	<u>12,898,268</u>
Net Assets, end of year	<u>\$ 26,355,355</u>	<u>21,993,278</u>	<u>16,832,959</u>

Dallas County Hospital

Management's Discussion and Analysis June 30, 2010 and 2009

Operating and Financial Performance

- **Volume:** Acute inpatient discharges for fiscal year 2010 were 202 compared to 318 in 2009. Acute patient days decreased dramatically in conjunction with the decrease in discharges. Acute patient days decreased from 1,057 in 2009 to 649 in 2010 or (38.60%). Swing bed discharges decreased by (27.21%) for fiscal year 2010 to a total of 99 discharges. Outpatient visits increased by 4.78% to 31,420 visits in fiscal year 2010. The following departments did experience increases in volumes for fiscal year 2010; Both Operating Room Locations, Laboratory, Emergency Room Ambulatory Care, Physical Therapy, Speech Therapy, Sleep Studies, Specialty Clinics, Digital Mammography, Bone Density, Cardiopulmonary, Treadmills, and Diet Consults.
- **Net Patient Service Revenue:** Net patient service revenue decreased by \$678,718, or (3.21%) compared to fiscal year 2009. During the fiscal year, Dallas County Hospital's contractual allowances (the difference between billed charges and paid charges from third party payers) increased by \$2,623,214. Contractual allowances as a percentage of gross patient revenue increased to 40.74% of gross charges in 2010 compared to 35.24% in 2009. The increase in contractual allowances is primarily due to the increased revenue and procedure volumes from DCHOS, which has lowered the cost per procedure/visit from Medicare and Medicaid reimbursement, increased volume from Medicare Advantage Plans, and contractual decreases in reimbursement from one commercial payer.
- **Changes in Net Assets:** In fiscal year 2010, \$175,461 was transferred to Spring Valley, Inc. and Dallas County Hospital Foundation, Inc, compared to \$214,748 in 2009. These amounts are considered to be a transfer of equity to these related organizations.

The following table presents the relative percentages of gross charges for patient services by payer for the years ended June 30, 2010, 2009 and 2008:

Table 3 - Payor Mix by Percentage

	June 30		
	2010	2009	2008
Medicare	51.35%	52.29%	50.10%
Blue Cross (Wellmark)	19.48%	19.54%	19.30%
Medicaid	6.71%	5.92%	6.10%
Private Pay	2.40%	2.52%	2.90%
Other commercial insurance	20.06%	19.73%	21.60%
Total	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>

Significant changes in operations from fiscal year 2010:

- **Other Operating Revenue:** Fiscal year 2010 showed a decrease of \$31,642 in other operating revenue.
- **Salary Expense:** Salary expense increased \$74,831 or 1.52%. Salary expense constitutes 27.42% of total expenses in 2010. The increase is due in part to market adjustments. With this organization being in close proximity to the Des Moines metropolitan area and the continued increase in regulatory requirements, the Hospital continues to adjust wages to retain and attract talented and qualified staff plus have adequate support staff to monitor and administer regulations to remain compliant with State and Federal guidelines.
- **Professional Fees:** Fiscal year 2010 showed an increase of \$295,595 or 7.60% increase in professional fees.

Dallas County Hospital

Management's Discussion and Analysis June 30, 2010 and 2009

- **Depreciation and Amortization:** Fiscal year 2010 showed an increase in depreciation and amortization by \$172,903.
- **Other Expenses:** Fiscal year 2010 showed a decrease in other expenses of \$107,303.
- **Supplies:** Decrease in supply expense is in relation to the decreased revenue in both Inpatient and outpatient services for fiscal year 2010.

CAPITAL ASSETS

At the end of fiscal year 2010, the Hospital has invested a total of \$2,556,925 in capital assets. \$1,557,629 was put into the South Parking lot paving and related equipment, \$370,205 was invested in remodeling and relocating the laboratory, registration area and community presence office space and \$629,091 for miscellaneous medical equipment and information technology infrastructure upgrades.

The following table summarizes the Hospital's capital assets as of June 30, 2010, 2009 and 2008:

Table 4 - Capital Assets

	June 30, 2010	June 30, 2009	June 30, 2008
Land	\$ 69,523	69,523	69,523
Land Improvements	1,354,437	384,892	384,892
Buildings	5,598,939	5,860,096	5,860,096
Building service equipment	7,162,265	8,670,787	8,437,977
Fixed equipment	1,313,600	937,713	833,495
Major moveable equipment	5,024,097	6,742,351	6,311,909
Construction in progress	96,801	1,117,428	50,579
Subtotal	20,619,662	23,782,790	21,948,471
Less accumulated depreciation	8,505,763	12,024,807	11,174,570
Property plant and equipment, net	\$ 12,113,899	11,757,983	10,773,901

DEBT ADMINISTRATION

Long-Term Debt

At year-end, the Hospital had \$-0- in short- and long-term debt related to Hospital Revenue Bonds and Notes. This has decreased from \$2,520,000 in fiscal year 2009. The outstanding debt for capital equipment leases at the end of fiscal year 2010 was \$-0-. More detailed information about the Hospital's outstanding debt is presented in the Notes to the Financial Statements.

Contacting the Hospital's Finance Department

The Hospital's financial statements are designed to present users with a general overview of the Hospital's finances and to demonstrate the Hospital's accountability. If you have questions about the report or need additional financial information, please contact Administration at Dallas County Hospital, 610 10th Street, Perry, Iowa 50220. Phone number 515-465-3547.

Dallas County Hospital

Balance Sheets

June 30, 2010 and 2009

	2010	2009
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 1,022,861	919,596
Short term investments	11,819,148	10,890,641
Assets limited as to use - required for current liabilities	--	302,976
Receivables -		
Patient, net of allowance for doubtful accounts of \$767,400 in 2010 and \$762,280 in 2009	2,081,455	1,990,031
Other	96,560	51,444
Succeeding year property tax	2,008,826	1,855,666
Inventories	348,280	366,048
Prepaid expenses	240,760	143,410
Total current assets	17,617,890	16,519,812
Assets limited as to use, net of current portion	1,410,380	1,592,980
Capital assets, net	12,113,899	11,757,983
Deferred financing costs, net	--	90,308
Total assets	\$ 31,142,169	29,961,083
LIABILITIES AND NET ASSETS		
Current liabilities:		
Current maturities of long-term debt	\$ --	2,520,000
Accounts payable -		
Trade	881,439	822,447
Construction	120,164	416,074
Salaries, wages and accrued vacation payable	444,109	515,259
Payroll taxes withheld	90,329	98,999
Accrued interest payable	--	11,388
Estimated third-party payor settlements - Medicare and Medicaid	1,238,694	1,727,972
Deferred revenue - previous year's property taxes	3,253	--
Total current liabilities	2,777,988	6,112,139
Deferred revenue for succeeding year property tax receivable	2,008,826	1,855,666
Total liabilities	4,786,814	7,967,805
Net assets:		
Invested in capital assets, net of related debt	12,113,899	9,237,983
Restricted -		
Debt service	--	302,976
Expendable for property and equipment	30,440	--
Unrestricted	14,211,016	12,452,319
Total net assets	26,355,355	21,993,278
Total liabilities and net assets	\$ 31,142,169	29,961,083

See notes to financial statements

Dallas County Hospital

Statements of Revenue, Expenses and Changes in Net Assets For the Years Ended June 30, 2010 and 2009

	2010	2009
OPERATING REVENUE:		
Net patient service revenue before provision for bad debt	\$ 21,276,083	22,066,300
Provision for bad debt	(809,554)	(921,053)
Net patient service revenue	20,466,529	21,145,247
County tax revenue	1,892,530	1,932,853
Other operating revenue	169,630	201,272
Total operating revenue	22,528,689	23,279,372
OPERATING EXPENSES:		
Salaries	5,022,555	4,947,724
Employee benefits	1,210,740	1,119,087
Professional fees	4,187,846	3,892,251
Utilities	968,159	957,935
Supplies	3,550,059	3,864,577
Repairs, maintenance and small equipment	546,751	532,060
Depreciation and amortization	1,250,604	1,077,701
Insurance	205,818	199,268
Interest	12,210	155,774
Other	1,364,912	1,472,215
Total operating expenses	18,319,654	18,218,592
OPERATING INCOME	4,209,035	5,060,780
NONOPERATING REVENUE, NET:		
Rental property, net	21,345	23,183
Investment income	207,665	322,917
Gain (loss) on disposal of capital assets	(20,086)	12,000
Other nonoperating expense, net	(9,260)	(57,225)
Nonoperating revenue, net	199,664	300,875
EXCESS OF REVENUE OVER EXPENSES BEFORE CAPITAL GRANTS AND CONTRIBUTIONS	4,408,699	5,361,655
CAPITAL GRANTS AND CONTRIBUTIONS	128,839	13,412
TRANSFERS TO FOUNDATION AND SPRING VALLEY	(175,461)	(214,748)
INCREASE IN NET ASSETS	4,362,077	5,160,319
NET ASSETS, beginning of year	21,993,278	16,832,959
NET ASSETS, end of year	\$ 26,355,355	21,993,278

See notes to financial statements

Dallas County Hospital

Statements of Cash Flows

For the Years Ended June 30, 2010 and 2009

	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from patients and third party payors	\$ 19,885,827	19,005,326
Cash paid to employees for salaries and benefits	(6,313,115)	(6,172,096)
Cash paid to suppliers and contractors	(10,844,135)	(10,620,388)
Other receipts and payments, net	110,452	256,001
Net cash provided by operating activities	2,839,029	2,468,843
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
County taxes received	1,900,585	1,696,964
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Purchase of capital assets, net	(1,832,208)	(1,878,868)
Principal paid on long-term debt	(2,520,000)	(555,131)
Interest paid on long-term debt	(23,598)	(157,277)
Capital grants and contributions	128,839	13,412
Net cash used in capital and related financing activities	(4,246,967)	(2,577,864)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Deposits to short term investments	(928,507)	(3,235,081)
Withdrawals from assets limited as to use	491,779	1,248,102
Investment income	201,462	352,965
Cash received from rental property	21,345	23,183
Transfers to Foundation and Spring Valley	(175,461)	(214,748)
Net cash used in investing activities	(389,382)	(1,825,579)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	103,265	(237,636)
CASH AND CASH EQUIVALENTS - Beginning of year	919,596	1,157,232
CASH AND CASH EQUIVALENTS - End of year	\$ 1,022,861	919,596

See notes to financial statements

Dallas County Hospital

Statements of Cash Flows (Continued) For the Years Ended June 30, 2010 and 2009

	<u>2010</u>	<u>2009</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating income	\$ 4,209,035	5,060,780
Adjustments to reconcile operating income to net cash provided by operating activities -		
County tax revenue	(1,892,530)	(1,932,853)
Other nonoperating expense, net	(9,260)	(57,225)
Depreciation and amortization	1,250,604	1,077,701
Interest expense included in operating expenses	12,210	155,774
(Increase) decrease in current assets -		
Receivables -		
Patients	(91,424)	1,082,259
Other	(49,918)	111,955
Inventories	17,768	162,181
Prepaid expenses	(97,350)	(20,952)
Increase (decrease) in current liabilities -		
Accounts payable	58,992	156,689
Salaries, wages and accrued vacation payable	(71,150)	19,505
Accrued payroll taxes and other	(8,670)	(124,790)
Estimated third-party payor settlements - Medicare and Medicaid	<u>(489,278)</u>	<u>(3,222,180)</u>
Net cash provided by operating activities	\$ <u>2,839,029</u>	<u>2,468,844</u>

See notes to financial statements

Spring Valley, Inc.
(A Component Unit of Dallas County Hospital)

Statements of Financial Position
June 30, 2010 and 2009

ASSETS	June 30	
	2010	2009
CURRENT ASSETS		
Cash	\$ 74,914	38,154
Contributions receivable	68,000	--
Other receivables	3,756	875
Prepaid expenses	3,569	3,882
Total current assets	<u>150,239</u>	<u>42,911</u>
RESTRICTED CASH AND INVESTMENTS		
Bond fund	129,559	129,468
Debt service reserve fund	391,479	397,509
Repair and replacement fund	60,224	53,009
Total restricted cash and investments	<u>581,262</u>	<u>579,986</u>
PROPERTY AND EQUIPMENT		
Spring Valley Retirement Facility	4,910,162	4,910,162
Less accumulated depreciation and amortization	1,981,599	1,768,298
Total property and equipment	<u>2,928,563</u>	<u>3,141,864</u>
OTHER ASSET		
Deferred debt issue costs, net of accumulated amortization	<u>113,674</u>	<u>130,514</u>
Total assets	<u>\$ 3,773,738</u>	<u>3,895,275</u>
LIABILITIES AND NET (DEFICIT)		
CURRENT LIABILITIES		
Current maturities of long-term debt	\$ 140,000	130,000
Accounts payable	29,611	30,730
Accrued payroll	19,689	20,400
Deposits	44,850	34,400
Accrued interest	83,493	86,049
Total current liabilities	<u>317,643</u>	<u>301,579</u>
LONG-TERM DEBT , less current maturities	<u>4,205,000</u>	<u>4,345,000</u>
NET ASSETS (DEFICIT)		
Unrestricted	(816,905)	(751,304)
Temporarily restricted	68,000	--
Total net assets (deficit)	<u>(748,905)</u>	<u>(751,304)</u>
Total liabilities and net (deficit)	<u>\$ 3,773,738</u>	<u>3,895,275</u>

See notes to financial statements

Spring Valley, Inc.
(A Component Unit of Dallas County Hospital)

Statements of Activities
For the Years Ended June 30, 2010 and 2009

	June 30	
	2010	2009
CHANGES IN UNRESTRICTED NET ASSETS		
Revenues		
Contributions and grants	\$ 290	541
Rental income		
Assisted and independent living units	1,183,067	1,077,889
Garage, guest room and other	18,178	16,630
Meal income	6,516	6,854
Catering	3,094	3,168
Investment return	8,532	10,891
Total unrestricted revenues	<u>1,219,677</u>	<u>1,115,973</u>
Expenses		
Program services		
Salaries	455,557	480,256
Fringe benefits and payroll taxes	75,837	61,614
Meals	71,004	60,768
Total program services	<u>602,398</u>	<u>602,638</u>
Supporting services		
Administration and general	92,995	74,253
Management fee	52,500	52,500
Property taxes	--	31,135
Rent expense	7,700	7,700
Operation of plant	108,975	97,274
Depreciation and amortization	230,141	230,945
Total supporting services	<u>492,311</u>	<u>493,807</u>
Interest	258,810	266,201
Total expenses	<u>1,353,519</u>	<u>1,362,646</u>
TRANSFERS FROM DALLAS COUNTY HOSPITAL	<u>68,241</u>	<u>172,584</u>
DECREASE IN UNRESTRICTED NET ASSETS	<u>(65,601)</u>	<u>(74,089)</u>
CHANGES IN TEMPORARILY RESTRICTED NET ASSETS		
Contributions from Dallas County Hospital	<u>68,000</u>	<u>--</u>
CHANGE IN NET (DEFICIT)	<u>2,399</u>	<u>(74,089)</u>
NET (DEFICIT)		
Beginning	<u>(751,304)</u>	<u>(677,215)</u>
Ending	<u>\$ (748,905)</u>	<u>(751,304)</u>

See notes to financial statements

Spring Valley, Inc.
(A Component Unit of Dallas County Hospital)

Statements of Cash Flows
For the Years Ended June 30, 2010 and 2009

	June 30	
	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net (deficit)	\$ 2,399	(74,089)
Adjustments to reconcile change in net (deficit) to net cash provided by operating activities		
Depreciation and amortization	230,141	230,945
Unrealized and realized loss on investments	3,463	1,837
Change in assets and liabilities		
(Increase) in contributions receivable	(68,000)	--
Decrease in prepaid expenses	313	220
(Increase) decrease in other receivables	(2,881)	10,065
(Decrease) in accounts payable, net of amounts for property and equipment	(1,119)	(30,470)
Increase (decrease) in accrued payroll	(711)	4,384
Increase (decrease) in deposits	10,450	(2,650)
(Decrease) in accrued interest	(2,556)	(2,418)
(Decrease) in unearned rent revenue	--	(605)
Net cash provided by operating activities	<u>171,499</u>	<u>137,219</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
(Funding) of bond fund	(91)	(7,948)
Liquidation (funding) of debt service reserve fund	2,567	(8,080)
(Funding) of repair and replacement fund	(7,215)	(7,496)
Purchase of property and equipment	--	(1,913)
Net cash (used in) investing activities	<u>(4,739)</u>	<u>(25,437)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on long-term borrowings	<u>(130,000)</u>	<u>(125,000)</u>
NET INCREASE (DECREASE) IN CASH	36,760	(13,218)
CASH		
Beginning	<u>38,154</u>	<u>51,372</u>
Ending	<u>\$ 74,914</u>	<u>38,154</u>
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash paid during the year for interest	<u>\$ 261,366</u>	<u>268,619</u>

See notes to financial statements

Dallas County Hospital

Notes to Financial Statements June 30, 2010 and 2009

(1) Description of Reporting Entity and Summary of Significant Accounting Policies

The following describes the reporting entity and is a summary of significant accounting policies of Dallas County Hospital (Hospital). These policies are in accordance with accounting principles generally accepted in the United States of America. The Hospital is a county public hospital organized under Chapter 347, of the Code of Iowa, and governed by a seven member Board of Trustees elected for terms of six years.

A. Reporting Entity

For financial reporting purposes, the Hospital has included all the funds, organizations, agencies, boards, commissions and authorities. The Hospital has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the Hospital are such that exclusion would cause the Hospital's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the Hospital to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the Hospital. These criteria also include organizations that are fiscally dependent on the Hospital. For the fiscal years ended June 30, 2010 and 2009, the Hospital has one component unit which meets the Governmental Accounting Standards Board criteria. This component unit is Spring Valley, Inc. (Spring Valley). Spring Valley's financial statements are separately presented on pages 12 – 14.

These financial statements present the Hospital and Spring Valley (its component unit). Certain disclosures about Spring Valley are not included because Spring Valley has been audited separately and a report has been issued under separate cover.

B. Industry Environment

The health care industry is subject to numerous laws and regulations of federal, state and local governments. These laws and regulations include, but are not limited to, matters such as licensure, accreditation, government health care program participation requirements, reimbursements for patient services, and Medicare and Medicaid fraud and abuse. Violations of these laws and regulations could result in expulsion from government health care programs together with the imposition of significant fines and penalties, as well as significant repayments for patient services previously billed.

Management believes that the Hospital is in compliance with applicable government laws and regulations as they apply to the areas of fraud and abuse. While no regulatory inquiries have been made which are expected to have a material effect on the Hospital's financial statements, compliance with such laws and regulations can be subject to future government review and interpretation as well as regulatory actions unknown or unasserted at this time.

C. Basis of Presentation

The balance sheets display the Hospital's assets and liabilities, with the differences reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt consist of capital assets, net of accumulated depreciation and amortization and are reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.

Restricted net assets:

Nonexpendable – Nonexpendable net assets are subject to externally imposed stipulations which require them to be maintained permanently by the Hospital.

Dallas County Hospital

Notes to Financial Statements June 30, 2010 and 2009

Expendable – Expendable net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets not meeting the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

When both restricted and unrestricted resources are available for use, generally it is the Hospital's policy to use restricted resources first.

D. Measurement Focus and Basis of Accounting

Measurement focus refers to when revenue and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The accompanying basic financial statements have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America. Revenue is recognized when earned and expenses are recorded when the liability is incurred.

In reporting its financial activity, the Hospital applies all applicable GASB pronouncements for proprietary funds as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the Committee on Accounting Procedure.

E. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

F. Cash and Cash Equivalents

Cash and cash equivalents for purposes of the statements of cash flows include investments in highly liquid debt instruments with original maturities of three months or less, excluding amounts limited as to use by bond indenture agreements.

G. Patient Receivables

Patient receivables are uncollateralized customer and third-party payor obligations. Unpaid patient receivables are not assessed interest. Payments of patient receivables are allocated to the specific claim identified on the remittance advice or, if unspecified, are applied to the earliest unpaid claim.

The carrying amount of patient receivables is reduced by a valuation allowance that reflects management's best estimate of amounts that will not be collected from patients, residents, and third-party payors. Management reviews patient receivables by payor class and applies percentages to determine estimated amounts that will not be collected from third parties under contractual agreements and amounts that will not be collected from patients due to bad debts. Management considers historical write off and recovery information in determining the estimated bad debt provision.

Dallas County Hospital

Notes to Financial Statements June 30, 2010 and 2009

H. Property Tax Receivable

Property tax receivable is recognized on the levy or lien date, which is the date that the tax asking is certified by the County Board of Supervisors. The succeeding year property tax receivable represents taxes certified by the Board of Supervisors to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the Board of Supervisors is required to certify the budget in March of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of the year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred and will not be recognized as revenue until the year for which it is levied.

I. Assets Limited as to Use

Periodically, the Hospital's Board of Trustees has set aside assets for future capital improvements and equipment. The Board retains control over these funds and may, at its discretion, subsequently use them for other purposes.

J. Capital Assets

The Hospital's capital assets are recorded at historical cost. Capital asset acquisitions in excess of \$5,000 are capitalized and recorded at cost. Contributed capital assets are reported at their estimated fair value at the time of their donation. Depreciation is provided over the estimated useful life of each depreciable asset and is computed using the straight-line half-year method.

Useful lives are determined using guidelines from the American Hospital Association Guide for Estimated Useful Lives of Depreciable Hospital Assets. Lives range by capital asset classification as follows:

Land improvements	5 – 20 years
Buildings and fixed equipment	5 – 40 years
Major moveable equipment	3 – 25 years

K. Compensated Absences

Employees of the Hospital earn annual paid time off (PTO) at various specific rates during their period of employment. PTO vests and may be carried forward by an employee in an amount not to exceed hourly limits based on length of employment. PTO expense is accrued as an expense and a liability as it is earned. PTO expenditures are recognized to the extent they are paid during the year and the vested amount is recorded as a current liability.

L. Deferred Revenue

Deferred revenue consists of property taxes received but not spent.

M. Investments in Debt and Equity Securities

Investments in debt and equity securities, including securities held through external investment pools, are carried at fair value except for investments in debt securities with maturities of less than one year at the time of purchase. These investments are reported at amortized cost, which approximates fair value. Interest, dividends, realized and unrealized gains and losses on investments in debt and equity securities are included in nonoperating revenue unless restricted by donor or law.

N. Statements of Revenue, Expenses and Changes in Net Assets

For purposes of display, transactions deemed by management to be ongoing, major or central to the provision of health care services are reported as operating revenue and expenses.

Dallas County Hospital

Notes to Financial Statements June 30, 2010 and 2009

O. Net Patient Service Revenue

Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors and a provision for uncollectible accounts. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

P. Grants and Contributions

From time to time, the Hospital receives grants and contributions from individuals and private organizations. Revenue from grants and contributions (including contributions of capital assets) are recognized when all eligibility requirements, including time requirements are met. Grants and contributions may be restricted for either specific operating purposes or for capital purposes. Amounts that are unrestricted or that are restricted to a specific operating purpose are reported as nonoperating revenue. Amounts restricted to capital acquisitions are reported after nonoperating revenue and expenses.

Q. Charity Care

The Hospital provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Revenue from services to these patients is automatically recorded in the accounting system at the established rates, but the Hospital does not pursue collection of these amounts. The resulting adjustments are recorded as adjustments to patient service revenue, depending on the timing of the charity determination.

R. Management

The Hospital is a provider of healthcare services as a Critical Access Hospital. During the year, the Hospital had an agreement for management services with Mercy Medical Center-Des Moines.

S. Risk Management

The Hospital is exposed to various risks of loss from torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters; and medical malpractice. Commercial insurance coverage is purchased for claims arising from such matters. Settled claims have not exceeded this commercial coverage in any of the three preceding years.

T. Subsequent Events

The Hospital considered events occurring through October 19, 2010 for recognition or disclosure in the financial statements as subsequent events. That date is the date the financial statements were available to be issued.

(2) Net Patient Service Revenue

The Hospital has agreements with third-party payors that provide for payments to the Hospital at amounts different from its established rates. A summary of the payment arrangements with major third-party payors follows:

Medicare – Inpatient acute care services rendered to Medicare program beneficiaries in a Critical Access Hospital are paid based on Medicare defined costs of providing the services. Inpatient nonacute services and certain outpatient services related to Medicare beneficiaries are paid based on a cost reimbursement methodology. The Hospital is reimbursed for cost reimbursable items at a tentative rate with final settlement determined after submission of annual cost reports by the Hospital and audits thereof by the Medicare administrative contractor. The Hospital's Medicare cost reports have been audited by the Medicare administrative contractor through June 30, 2008.

Dallas County Hospital

Notes to Financial Statements June 30, 2010 and 2009

Medicaid – Inpatient acute services and outpatient services rendered to Medicaid program beneficiaries in a Critical Access Hospital are paid based on Medicaid defined costs of providing the services. The Hospital is reimbursed for cost reimbursable items at tentative rates with final settlement determined after submission of annual cost reports by the Hospital.

The Hospital has also entered into payment agreements with certain commercial insurance carriers and other organizations. The basis for payment to the Hospital under these agreements may include prospectively determined rates and discounts from established charges.

Revenue from the Medicare and Medicaid programs accounted for approximately 51% and 7%, respectively, of the Hospital's net patient revenue for the year ended June 30, 2010, and 52% and 6%, respectively, of the Hospital's net patient revenue for the year ended June 30, 2009. Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term.

A summary of patient and resident service revenue and contractual adjustments for the years ended June 30, 2010 and 2009 is as follows:

	<u>2010</u>	<u>2009</u>
Gross patient service revenue:		
Inpatient	\$ 1,109,783	1,660,304
Outpatient	33,822,656	31,210,539
Swingbed	<u>972,650</u>	<u>1,201,249</u>
Total gross patient service revenue	<u>35,905,089</u>	<u>34,072,092</u>
Contractual adjustments:		
Medicare	(9,873,073)	(8,893,082)
Medicaid	(1,201,992)	(881,367)
Other	(2,806,722)	(1,625,533)
Charity care services	<u>(747,219)</u>	<u>(605,810)</u>
Total contractual adjustments	<u>(14,629,006)</u>	<u>(12,005,792)</u>
Net patient and resident service revenue before provision for bad debt	\$ <u>21,276,083</u>	<u>22,066,300</u>

(3) Cash and Investments

The Hospital's deposits in banks at June 30, 2010 and 2009 were entirely covered by federal depository insurance or the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The Hospital is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Trustees; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts, and warrants or improvement certificates of a drainage district.

Dallas County Hospital

Notes to Financial Statements June 30, 2010 and 2009

The Hospital's investments are carried at fair value. As of June 30, 2010 and 2009, the Hospital's investments, including assets limited as to use, consisted of the following:

	<u>2010</u>	<u>2009</u>
Cash and money market funds	\$ 3,308,388	3,409,648
Certificates of deposit	9,790,917	9,252,940
Iowa Public Agency Investment Trust	7,141	7,130
Accrued interest receivable	<u>123,082</u>	<u>116,879</u>
	<u>\$ 13,229,528</u>	<u>12,786,597</u>

Credit Risk: The Hospital has invested in a public agency investment trust funded in part by U.S. treasury securities, U.S. agency debentures, mortgage backed securities and repurchase agreements. The value of this investment is determined based on market and economic conditions that can and will fluctuate from time to time.

Interest Rate Risk: The primary objectives of the Hospital's investment policy is to assure preservation of capital through investments in government insured vehicles, to retain liquidity to meet projected cash needs, and to realize the best available rate of return.

(4) Capital Assets

Capital assets activity for the years ended June 30, 2010 and 2009 were as follows:

	<u>June 30, 2009</u>	<u>Additions</u>	<u>Transfers and Disposals</u>	<u>June 30, 2010</u>
Capital assets, not being depreciated:				
Land	\$ 69,523	--	--	69,523
Construction in progress	<u>1,117,428</u>	<u>907,207</u>	<u>(1,927,834)</u>	<u>96,801</u>
Total capital assets, not being depreciated	<u>1,186,951</u>	<u>907,207</u>	<u>(1,927,834)</u>	<u>166,324</u>
Capital assets, being depreciated:				
Land Improvements	384,892	--	969,545	1,354,437
Buildings and fixed equipment	15,468,596	134,436	(1,528,228)	14,074,804
Major moveable equipment	<u>6,742,351</u>	<u>494,655</u>	<u>(2,212,909)</u>	<u>5,024,097</u>
Total capital assets, being depreciated	<u>22,595,839</u>	<u>629,091</u>	<u>(2,771,592)</u>	<u>20,453,338</u>
Less accumulated depreciation:				
Land Improvements	(369,574)	(50,477)	346,921	(73,130)
Buildings and fixed equipment	(6,302,943)	(677,543)	2,061,552	(4,918,934)
Major moveable equipment	<u>(5,352,290)</u>	<u>(432,276)</u>	<u>2,270,867</u>	<u>(3,513,699)</u>
Total accumulated depreciation	<u>(12,024,807)</u>	<u>(1,160,296)</u>	<u>4,679,340</u>	<u>(8,505,763)</u>
Total capital assets, being depreciated, net	<u>10,571,032</u>	<u>(531,205)</u>	<u>1,907,748</u>	<u>11,947,575</u>
Total capital assets, net	<u>\$ 11,757,983</u>	<u>376,002</u>	<u>(20,086)</u>	<u>12,113,899</u>

Dallas County Hospital

Notes to Financial Statements June 30, 2010 and 2009

	June 30, 2008	Additions	Transfers and Disposals	June 30, 2009
Capital assets, not being depreciated:				
Land	\$ 69,523	--	--	69,523
Construction in progress	50,579	1,370,003	(303,154)	1,117,428
Total capital assets, not being depreciated	120,102	1,370,003	(303,154)	1,186,951
Capital assets, being depreciated:				
Land Improvements	384,892	--	--	384,892
Buildings and fixed equipment	15,131,568	262,478	74,550	15,468,596
Major moveable equipment	6,311,909	417,542	12,900	6,742,351
Total capital assets, being depreciated	21,828,369	680,020	87,450	22,595,839
Less accumulated depreciation:				
Land Improvements	(367,298)	(2,276)	--	(369,574)
Buildings and fixed equipment	(5,675,954)	(626,989)	--	(6,302,943)
Major moveable equipment	(5,131,318)	(436,676)	215,704	(5,352,290)
Total accumulated depreciation	(11,174,570)	(1,065,941)	215,704	(12,024,807)
Total capital assets, being depreciated, net	10,653,799	(385,921)	303,154	10,571,032
Total capital assets, net	\$ 10,773,901	984,082	--	11,757,983

Depreciation expense of \$1,160,296 and \$1,065,941 in 2010 and 2009, respectively, is included in the accompanying statements of revenue, expenses and change in net assets.

(5) Long-Term Debt

Long-term debt activity of the Hospital as of June 30, 2010 and 2009 consisted of the following:

	June 30, 2009	Borrowings	Payments	June 30, 2010	Due Within One Year
Bonds payable, Series 2002 (A)	\$ 2,520,000	--	2,520,000	--	--
	June 30, 2008	Borrowings	Payments	June 30, 2009	Due Within One Year
Bonds payable, Series 2002 (A)	\$ 2,655,000	--	135,000	2,520,000	2,520,000
Notes payable, Series 2004	340,000	--	340,000	--	--
Capital lease obligation	80,131	--	80,131	--	--
	\$ 3,075,131	--	555,131	2,520,000	2,520,000

- (A) The Board of Trustees adopted a resolution to issue a \$3,360,000 Hospital Revenue Bonds Series 2002 dated July 1, 2002, to finance a facility expansion and improvement project. The bonds were extinguished in their entirety by the Hospital in 2010.

Dallas County Hospital

Notes to Financial Statements June 30, 2010 and 2009

(6) Professional Liability Insurance

The Hospital carries a professional liability policy (including malpractice) providing coverage of \$1,000,000 for injuries per occurrence and \$3,000,000 aggregate coverage. In addition, the Hospital carries an umbrella policy which also provides \$4,000,000 per occurrence and aggregate coverage. These policies provide coverage on a claims-made basis covering only those claims which have occurred and are reported to the insurance company while the coverage is in force. The Hospital could have exposure on possible incidents that have occurred for which claims will be made in the future, should professional liability insurance not be obtained or should coverage be limited and/or not available.

The Hospital is not aware of any known claims or incidents that may be asserted from services to patients. The Hospital has also evaluated its paid claims history and has determined that no reserve for losses on both asserted or unasserted claims is needed.

(7) Pension and Retirement Benefits

The Hospital contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, PO Box 9117, Des Moines Iowa 50306-9117.

Plan members are required to contribute 4.30% of their annual covered salary and the Hospital is required to contribute 6.65% of annual covered salary for the year ended June 30, 2010, and plan members were required to contribute 4.10% of their annual covered salary and the Hospital was required to contribute 6.35% for the year ended June 30, 2009. Contribution requirements are established by State statute. The Hospital's contributions to IPERS for the years ended June 30, 2010 and 2009 were \$332,238 and \$311,759, respectively, equal to the required contributions for each year.

(8) Operating Leases

South Building Addition

The Hospital leases 23,734 rentable square feet (74.99%) of an attached building on the Hospital's campus under a 164 month non-cancelable operating lease. The monthly lease payments for the operating lease are minimum monthly payments of \$29,468 through the first five years, and then adjusted for each succeeding five year period by a CPI adjustment as defined in the lease, not to exceed a 5% increase. Rental expense for the operating lease was \$353,616 for the years ended June 30, 2010 and 2009.

Dallas County Hospital Outpatient Surgery

During 2006, the Hospital entered into a lease agreement (Agreement) with Clinic Investments, Inc. (Lessor), commencing in February 2007, for a Medical Office Building (Unit) located in West Des Moines, Iowa, for the purpose of operating a provider-based outpatient surgical services facility in West Des Moines, Dallas County, Iowa (DCH outpatient surgery). Lease payments were established in accordance with the Agreement for the Unit and were fixed for the initial five-year term of the lease. Upon attainment of the second anniversary of the lease commencement date, Lessor had the right to terminate the Agreement without cause by giving 90 days of proper notice. At such time the Agreement is terminated, the Hospital will no longer be obligated as lessee of the Unit. Rental expense for the operating lease was \$360,517 and \$353,260 for the years ended June 30, 2010 and 2009, respectively.

In conjunction with the Agreement, the Hospital had also entered into equipment leases for equipment needed to provide services at the Unit. Commencement of the equipment leases were simultaneous with the terms of the Agreement. Lease payments were established in accordance with the lease document and

Dallas County Hospital

Notes to Financial Statements June 30, 2010 and 2009

were fixed for the initial five-year term of the lease. However, the Lessor had the right to terminate these equipment leases simultaneously with the Agreement disclosed in the previous paragraph. Rental expense for the operating lease was \$239,864 and \$228,628 for the years ended June 30, 2010 and 2009, respectively.

In addition, the Hospital entered into a management agreement for the purposes of rendering management and administrative services needed for the operations of the Unit. Commencement of the management agreement was simultaneous with the terms of the Agreement. The Hospital was required to pay an annual fixed management fee of \$480,000 in 2010 and \$300,000 in 2009 adjusted every two years as defined in the management document. Fee expense was \$480,000 and \$300,000 for the years ended June 30, 2010 and 2009, respectively.

Effective August 2, 2010, the Lessor terminated the Agreement and all related arrangements and exercised its purchase option for the assets of the Unit as defined in the Agreement, relieving the Hospital of all future obligations. See Note 12.

The following is a schedule by year of future minimum lease payments under operating leases as of June 30, 2010:

2011	359,510
2012	371,297
2013	371,297
2014	371,297
2015	371,297
2016 – 2020	<u>1,608,953</u>
Total	\$ <u>3,453,651</u>

(9) Concentration of Credit Risk

The Hospital grants credits without collateral to its patients and residents, most of whom are insured under third-party payor agreements. The mix of receivables from patients and third-party payors was as follows:

	<u>2010</u>	<u>2009</u>
Medicare	35%	35%
Medicaid	6	8
Blue Cross	17	16
Other commercial insurance	19	20
Private pay	<u>23</u>	<u>21</u>
	<u>100%</u>	<u>100%</u>

(10) Spring Valley, Inc.

In accordance with GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*, the Hospital's management has determined that Spring Valley is a component unit of the Hospital. Spring Valley is considered to be a component unit of the Hospital based upon the significance of the related financial obligations with the Hospital. Spring Valley's audited statements of financial position, statements of activities and statements of cash flows of and for the years ended June 30, 2010 and 2009 are included on pages 12-14.

Spring Valley constructed a senior housing facility on the campus of the Hospital entitled the Spring Valley Project (Project). Included in the Project is a limited guarantee agreement by the Hospital with Bankers Trust Company, N.A., the Trustee. The agreement provides that the Hospital would replenish Spring

Dallas County Hospital

Notes to Financial Statements June 30, 2010 and 2009

Valley's Debt Service Reserve Fund (Fund) up to its required amount (approximately \$389,000) if funds from the Project are insufficient to maintain the Fund at the required amount. The obligations of the Hospital under the agreement will remain in effect until the date on which the entire principal and interest on the bonds is provided for.

The Hospital has included transfers to Spring Valley of \$137,604 and \$172,584 for the years ended June 30, 2010 and 2009, respectively, in the statements of revenue, expenses and changes in net assets. These amounts are related to capital advances provided by the Hospital to Spring Valley.

In addition, the Hospital provided a \$500,000 loan to Spring Valley which will be repaid as funds become available. This amount is included in long-term debt of Spring Valley found on page 12. During 2006, the Hospital established an allowance for uncollectible amounts of \$500,000 related to the receivable above due to the continued financial losses of Spring Valley.

(11) Foundation

On July 1, 2006, Dallas County Hospital Foundation, Inc. (Foundation) was established to raise funds to support the Hospital. The Foundation is governed by a Board of Directors independent of the Hospital. All funds raised, except funds required for the operations of the Foundation, will be distributed to or be held for the benefit of the Hospital as required to comply with the purposes specified by donors. Management has determined that the economic resources received from or held by the Foundation are not significant to the Hospital. Therefore, the Foundation is not reported with the Hospital under GASB Statement 39. The Foundation's unaudited net assets were approximately \$108,699 and \$47,803 at June 30, 2010 and 2009, respectively. The Foundation transferred \$1,000 and \$13,412 as of June 30, 2010 and 2009, respectively, for the purchase of building construction, property and equipment.

(12) Subsequent Event

Effective August 2, 2010, in accordance with the terms of the lease agreement (Agreement) between the Hospital and Clinic Investments, Inc. (Note 8), Clinic Investments, Inc. exercised its option to terminate the Agreement and purchase assets from the Hospital used to operate DCH outpatient surgery. The purchase price of the assets was \$4,575,000, resulting in a gain of \$4,419,920 to the Hospital.

Dallas County Hospital

Budgetary Comparison Schedule of Revenue, Expenses and Changes in Net Assets Budget and Actual (Cash Basis) Required Supplementary Information For the Year Ended June 30, 2010

The following is a reconciliation between reported amounts and cash disbursements to budget:

	Actual Accrual Basis	Accrual Adjustments	Actual Cash Basis	Budgeted Amounts		Variance Favorable (Unfavorable)
				Original	Amended	
Amount to be raised by taxation	\$ 1,892,530	8,055	1,900,585	1,855,666	1,855,666	44,919
Estimated other revenues / receipts	20,789,201	(441,276)	20,347,925	16,476,296	16,476,296	3,871,629
Total	22,681,731	(433,221)	22,248,510	18,331,962	18,331,962	3,916,548
Expenses / Disbursements	18,319,654	3,388,863	21,708,517	19,245,287	25,140,287	3,431,770
Net	4,362,077	(3,822,084)	539,993	(913,325)	(6,808,325)	\$ 7,348,318
Balance beginning of year	21,993,278	(8,403,964)	13,589,314	14,397,650	14,397,650	
Balance end of year	\$ 26,355,355	(12,226,048)	14,129,307	13,484,325	7,589,325	

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary prospective differences resulting from the Hospital preparing a budget on the cash basis of accounting.

The Board of Trustees annually prepares and adopts a budget designating the amount necessary for the improvement and maintenance of the Hospital on the cash basis following required public notice and hearing in accordance with Chapters 24 and 347 of the Code of Iowa. The Board of Trustees certifies the approved budget to the appropriate county auditors. The budget may be amended during the year utilizing similar statutorily prescribed procedures. Formal and legal budgetary control is based on total expenditures.

Dallas County Hospital

Exhibit 1

Patient Service Revenue
For the Years Ended June 30, 2010 and 2009

	2010				2009			
	Inpatient	Outpatient	Swing Bed	Total	Inpatient	Outpatient	Swing Bed	Total
NURSING SERVICES:								
Medical/surgical	\$ 487,535	67,435	--	554,970	741,060	75,885	--	816,945
Swing bed	--	--	549,080	549,080	--	--	643,040	643,040
	<u>487,535</u>	<u>67,435</u>	<u>549,080</u>	<u>1,104,050</u>	<u>741,060</u>	<u>75,885</u>	<u>643,040</u>	<u>1,459,985</u>
OTHER PROFESSIONAL SERVICES:								
DCH outpatient surgery	--	21,141,318	--	21,141,318	--	19,170,049	--	19,170,049
Operating room	28,502	2,387,242	1,850	2,417,594	34,736	2,048,020	4,629	2,087,385
Laboratory	105,554	1,707,950	38,536	1,852,040	147,133	1,586,112	32,589	1,765,834
Emergency department	38,385	1,801,504	364	1,840,253	46,196	1,656,006	--	1,702,202
CT scans	62,774	1,257,985	12,712	1,333,471	86,881	1,254,631	4,515	1,346,027
Physical therapy	7,121	1,196,845	108,041	1,312,007	18,339	1,003,243	129,643	1,151,225
Pharmacy	175,540	871,381	145,960	1,192,881	309,688	953,710	209,844	1,473,242
Radiology	9,224	895,369	3,383	907,976	14,182	869,130	6,077	889,389
Emergency physicians	12,166	830,668	--	842,834	14,862	746,276	--	761,138
Mobile MRI	2,099	413,562	--	415,661	12,402	461,849	8,385	482,636
Ultrasounds	16,715	334,971	4,170	355,856	19,896	416,785	2,052	438,733
Cardiopulmonary	83,872	181,327	53,968	319,167	99,994	162,571	85,154	347,719
Sleep studies	--	203,428	--	203,428	--	192,573	--	192,573
Occupational therapy	2,113	91,051	48,358	141,522	6,403	90,137	55,196	151,736
Electrocardiology	7,180	116,656	1,042	124,878	11,687	117,503	1,874	131,064
Echocardiology	12,582	96,443	4,216	113,241	17,691	104,499	2,917	125,107
Intravenous therapy	30,747	47,023	9,598	87,368	55,947	41,028	13,093	110,068
Specialty clinic	--	38,799	--	38,799	--	20,051	--	20,051
Speech therapy	2,454	31,958	3,092	37,504	6,770	19,132	3,784	29,686
Transfusion services	11,500	19,500	2,000	33,000	9,000	27,900	500	37,400
Nuclear medicine	--	31,295	--	31,295	1,307	37,217	--	38,524
Corp wellness	--	20,470	--	20,470	--	24,875	--	24,875
Bone density	--	18,998	--	18,998	--	14,945	--	14,945
Treadmills	--	11,948	--	11,948	--	10,584	--	10,584
Dietician	--	7,530	--	7,530	--	5,615	--	5,615
Anesthesia	--	--	--	--	2,000	100,500	1,800	104,300
	<u>608,528</u>	<u>33,755,221</u>	<u>437,290</u>	<u>34,801,039</u>	<u>915,114</u>	<u>31,134,941</u>	<u>562,052</u>	<u>32,612,107</u>
GROSS PATIENT SERVICE REVENUE	<u>\$ 1,096,063</u>	<u>33,822,656</u>	<u>986,370</u>	<u>35,905,089</u>	<u>1,656,174</u>	<u>31,210,826</u>	<u>1,205,092</u>	<u>34,072,092</u>
LESS:								
Contractual allowances and other deductions, primarily Medicare and Medicaid				(13,881,787)				(11,399,982)
Charity care services and other discounts, based on charges forgone				(747,219)				(605,810)
NET PATIENT SERVICE REVENUE BEFORE PROVISION FOR BAD DEBT				21,276,083				22,066,300
PROVISION FOR BAD DEBT				(809,554)				(921,053)
NET PATIENT SERVICE REVENUE				<u>\$ 20,466,529</u>				<u>21,145,247</u>

Other Operating Revenue
For the Years Ended June 30, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Nutritional service	\$ 64,171	61,576
South addition maintenance	38,588	51,347
Medical records transcripts	6,478	7,498
Grant revenue	6,413	31,827
Vendor discounts/rebates	4,500	20,992
Dietary instruction	1,199	2,103
Other	<u>48,281</u>	<u>25,929</u>
	<u>\$ 169,630</u>	<u>201,272</u>

Departmental Expenses
For the Years Ended June 30, 2010 and 2009

	2010				2009			
	Salaries and Wages	Professional Fees	Supplies and Other	Total	Salaries and Wages	Professional Fees	Supplies and Other	Total
NURSING SERVICES:								
Medical/surgical	\$ 759,096	117,965	68,392	945,453	737,488	96,443	88,374	922,305
Nursing administration	333,461	--	1,579	335,040	566,649	--	2,449	569,098
	<u>1,092,557</u>	<u>117,965</u>	<u>69,971</u>	<u>1,280,493</u>	<u>1,304,137</u>	<u>96,443</u>	<u>90,823</u>	<u>1,491,403</u>
OTHER PROFESSIONAL SERVICES:								
DCH outpatient surgery	696,082	868,363	3,326,991	4,891,436	583,515	514,689	3,362,472	4,460,676
Emergency department	405,457	995,390	68,403	1,469,250	298,893	994,469	82,195	1,375,557
Laboratory	249,149	2,234	419,448	670,831	233,614	3,594	411,727	648,935
Physical therapy	--	524,537	8,267	532,804	--	460,565	6,331	466,896
Pharmacy	168,325	9,174	348,963	526,462	178,381	22,252	460,189	660,822
Radiology	1,896	449,567	52,063	503,526	1,084	416,652	64,780	482,516
Operating room	153,607	-	211,604	365,211	162,681	5,590	233,369	401,640
Cardiopulmonary	159,996	6,535	30,314	196,845	164,962	7,860	30,280	203,102
Anesthesia	--	114,048	--	114,048	--	110,834	--	110,834
CT scans	--	--	96,397	96,397	--	--	91,479	91,479
Mobile MRI	--	62,075	--	62,075	--	74,100	--	74,100
Occupational therapy	--	56,608	395	57,003	--	60,694	372	61,066
Echocardiology	--	51,304	--	51,304	--	58,352	--	58,352
Sleep studies	--	51,300	--	51,300	--	47,925	--	47,925
Specialty clinic - south addition	1,209	30,636	2,084	33,929	6,195	20,076	2,662	28,933
Education	12,613	1,478	3,755	17,846	15,697	--	8,109	23,806
Speech therapy	--	15,002	--	15,002	--	11,874	--	11,874
Nuclear medicine	--	13,908	--	13,908	--	18,128	--	18,128
Cardiac rehabilitation	--	--	8,730	8,730	--	--	7,399	7,399
Electrocardiology	--	7,540	431	7,971	--	8,280	723	9,003
Ultrasounds	--	--	7,243	7,243	--	824	6,915	7,739
Auxiliary/Foundation coordinator	--	--	224	224	--	--	163	163
Volunteer coordinator	--	--	--	--	--	--	235	235
	<u>1,848,334</u>	<u>3,259,699</u>	<u>4,585,312</u>	<u>9,693,345</u>	<u>1,645,022</u>	<u>2,836,758</u>	<u>4,769,400</u>	<u>9,251,180</u>
GENERAL SERVICES:								
Facility	319,386	(4,928)	913,480	1,227,938	305,573	2,599	918,529	1,226,701
Nutritional services/dietician	179,023	10,235	107,326	296,584	193,101	841	115,582	309,524
Environmental services	103,433	79,604	15,821	198,858	111,920	85,087	16,275	213,282
	<u>601,842</u>	<u>84,911</u>	<u>1,036,627</u>	<u>1,723,380</u>	<u>610,594</u>	<u>88,527</u>	<u>1,050,386</u>	<u>1,749,507</u>
ADMINISTRATIVE SERVICES	<u>1,479,822</u>	<u>725,271</u>	<u>792,039</u>	<u>2,997,132</u>	<u>1,387,971</u>	<u>870,523</u>	<u>974,761</u>	<u>3,233,255</u>
NONDEPARTMENTAL:								
Depreciation and amortization	--	--	1,250,604	1,250,604	--	--	1,077,701	1,077,701
Employee benefits	--	--	1,156,671	1,156,671	--	--	1,060,504	1,060,504
Insurance	--	--	205,818	205,818	--	--	199,268	199,268
Interest	--	--	12,211	12,211	--	--	155,774	155,774
	<u>--</u>	<u>--</u>	<u>2,625,304</u>	<u>2,625,304</u>	<u>--</u>	<u>--</u>	<u>2,493,247</u>	<u>2,493,247</u>
TOTAL EXPENSES	<u>\$ 5,022,555</u>	<u>4,187,846</u>	<u>9,109,253</u>	<u>18,319,654</u>	<u>4,947,724</u>	<u>3,892,251</u>	<u>9,378,617</u>	<u>18,218,592</u>

Patient Receivables and Allowance for Doubtful Accounts
June 30, 2010 and 2009

ANALYSIS OF AGING:

Days Since Discharge	2010		2009	
	Amount	Percent of Total	Amount	Percent of Total
0 - 30	\$ 2,551,922	61.76 %	2,449,569	56.18 %
31 - 60	608,552	14.73	813,391	18.72
61 - 90	299,776	7.25	304,005	6.97
91 - 120	153,346	3.71	236,219	5.42
> 120	518,550	12.55	555,988	12.71
	<u>4,132,146</u>	100.00 %	<u>4,359,172</u>	100.00 %
Less:				
Allowance for doubtful accounts	(767,400)		(762,280)	
Allowance for contractual adjustments	<u>(1,283,291)</u>		<u>(1,606,861)</u>	
	<u>\$ 2,081,455</u>		<u>1,990,031</u>	

	2010	2009
NET DAYS REVENUE IN PATIENT ACCOUNTS RECEIVABLE	35.71 days	32.92 days
ALLOWANCE FOR DOUBTFUL ACCOUNTS:		
Balance, beginning of year	\$ 762,280	692,866
Provision of uncollectible accounts	809,554	921,053
Recoveries of accounts previously written off	250,926	244,770
Accounts written off	<u>(1,055,360)</u>	<u>(1,096,409)</u>
Balance, end of year	<u>\$ 767,400</u>	<u>762,280</u>

Inventory/Prepaid Expenses
June 30, 2010 and 2009

	<u>2010</u>	<u>2009</u>
INVENTORY:		
DCH outpatient surgery	\$ 113,391	139,277
Departmental	101,142	113,491
Pharmacy	90,253	71,276
General stores/central supply	36,495	33,705
Dietary	<u>6,999</u>	<u>8,299</u>
	<u>\$ 348,280</u>	<u>366,048</u>
 PREPAID EXPENSES:		
Insurance	\$ 143,577	53,672
Other	<u>97,183</u>	<u>89,738</u>
	<u>\$ 240,760</u>	<u>143,410</u>

Insurance Coverage
June 30, 2010

Company	Property Covered	Amount of Coverage	Expiration Date
ProAssurance Wisconsin	General Liability		5/1/2011
	Each Occurrence - Bodily Injury and Property Damage	1,000,000	
	Aggregate	3,000,000	
	Products and Completed Operations	1,000,000	
	Personal and Advertising Injury	1,000,000	
	Damage to Premises Rent to You Limited	1,000,000	
	Medical Expense	10,000	
	Pollution Liability Limit	250,000	
ProAssurance Wisconsin	Hospital Professional Liability (claims made basis)		5/1/2011
	Per Professional Health Care Incident	1,000,000	
	Aggregate	3,000,000	
	Employee Benefits Liability Limit	1,000,000	
	Legal Expense (not Defense Costs)	10,000	
ProAssurance Wisconsin	Commercial Umbrella		5/1/2011
	Each Occurrence	4,000,000	
	Aggregate	4,000,000	
	Products and Completed Operations	4,000,000	
ProAssurance Wisconsin	Excess Professional Liability (claims made basis)		5/1/2011
	Per Professional Health Care Incident	1,000,000	
	Aggregate	1,000,000	
Great Northern Insurance Company	Commercial Property		5/1/2011
	Buildings & Personal Property	19,929,436	
	Business Income with Extra Expense	8,113,000	
	Data Processing	635,000	
	Crime		
	Employee Theft	250,000	
	Forgery	7,500	
	Various Other Property Coverage	89,500	
Federal Insurance Company	Auto Bodily Injury & Property Damage Liability	1,000,000	5/1/2011
	Medical Payments	5,000	
	Un/Underinsured Motorist	1,000,000	
Federal Insurance Company	Directors & Officers Liability	5,000,000	5/1/2011
	Employment Practices Liability	5,000,000	
Farm Bureau Financial Services	Worker's Compensation Liability		4/1/2011
	Each Accident	500,000	
	Disease Policy Limit	500,000	
	Disease Each Employee	500,000	

Financial and Statistical Highlights
For the Years Ended June 30, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Patient days:		
Acute	649	1,057
Swingbed	835	1,064
Respite	<u>67</u>	<u>27</u>
Total	<u><u>1,551</u></u>	<u><u>2,148</u></u>
Patient discharges:		
Acute	202	318
Swingbed	99	136
Respite	<u>14</u>	<u>7</u>
Total	<u><u>315</u></u>	<u><u>461</u></u>
Average length of stay:		
Acute	3.21 days	3.32 days
Swingbed	8.43 days	7.82 days
Respite	4.79 days	3.86 days
Emergency room visits	6,387	6,268
Specialty clinic visits	4,178	3,993
DCH outpatient surgery visits	4,593	4,312
Other outpatient visits	20,440	19,407
Number of employees - full-time equivalents	105.68	106.23

**Independent Auditor's Report on Internal Control Over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial
Statements Performed in Accordance with
Government Auditing Standards**

To the Board of Trustees of
Dallas County Hospital
Perry, Iowa:

We have audited the financial statements of Dallas County Hospital (Hospital), as of and for the year ended June 30, 2010, and have issued our report thereon dated October 19, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Hospital's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Hospital's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Hospital's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify and deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Hospital's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain instances of noncompliance and other matters that are described in Part III of the accompanying schedule of findings and responses.

Comments involving statutory and other legal matters about the Hospital's operations for the year ended June 30, 2010, are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the Hospital. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

The Hospital's responses to findings identified in our audit are described in the accompanying schedule of findings and responses. While we have expressed our conclusions on the Hospital's responses, we did not audit the Hospital's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees, and constituents of Dallas County Hospital, and other parties to whom Dallas County Hospital may report, including federal awarding agencies and pass-through entities. This report is not intended to and should not be used by anyone other than those specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by the personnel of the Hospital during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Sprim, Johnson, Sestak & Quist, LLP

Omaha, Nebraska,
October 19, 2010.

Dallas County Hospital

Schedule of Findings and Responses June 30, 2010

Part I: Summary of the Independent Auditor's Results

- (a) An unqualified opinion was issued on the financial statements.
- (b) The audit did not disclose any non-compliance which is material to the financial statements.

Part II: Findings Related to the Financial Statements

INSTANCES OF DEFICIENCIES IN INTERNAL CONTROL OVER FINANCIAL REPORTING:

No significant deficiencies or material weaknesses were identified.

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

Part III: Other Findings Related to Required Statutory Reporting

- III-A-10 Official Depositories: A resolution naming official depositories has been adopted by the Board. The maximum deposit amounts stated in the resolution were not exceeded during the year ended June 30, 2010. However, it was discovered through testing performed, a deposit of approximately \$5,600 was held in a depository that was not named in the resolution.
- Recommendation – Management should perform an annual review of the depository resolution to determine if any amendments are needed based on the held deposits and seek approval from the Board for needed amendments to ensure all deposits are in official depositories.
- Response – Management will evaluate the depository resolution and seek Board approval for changes as needed based on the deposits held in the future.
- Conclusion – Response accepted.
- III-B-10 Certified Budget: Disbursements during the year ended June 30, 2010 did not exceed the amount budgeted.
- III-C-10 Questionable Expenditures: We noted no expenditures that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- III-D-10 Travel Expense: No expenditures of Hospital money for travel expenses of spouses of Hospital officials and/or employees were noted.
- III-E-10 Business Transactions: No business transactions between the Hospital and Hospital officials and/or employees were noted to violate Chapter 347.9A(2)(a) of the Code of Iowa which permits a direct interest of less than or equal to \$1,500 in transactions between a Hospital Trustee or a Hospital Trustee's spouse and the Hospital.
- III-F-10 Board Minutes: No transactions were found that we believe should have been approved in the Board minutes but were not.

Dallas County Hospital

Schedule of Findings and Responses June 30, 2010

- III-G-10 Deposits and Investments: No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the Hospital's investment policy were noted.
- III-H-10 Publication of Bills Allowed and Salaries: Chapter 347.13(11) of the Code of Iowa states in part, "There shall be published quarterly in each of the official newspapers of the county as selected by the board of supervisors pursuant to Section 349.1 the schedule of bills allowed and there shall be published annually in such newspapers the schedule of salaries paid by job classification and category...". We noted no instances of non-compliance with the publication of bills allowed and salaries. The Hospital publishes a list of expenditures quarterly which are summarized by major classification and vendor.

Dallas County Hospital

Audit Staff
June 30, 2010

This audit was performed by:

Roger E. Thompson, FHFMA, CPA, Partner
Jess D. Paisley, In-charge
Chase S. Manstedt, Staff Auditor
Andrew J. DeLashmutt, Staff Auditor